
NewsRelease

Keystone Pipeline to expand to serve the U.S. Gulf Coast

CALGARY, July 16, 2008 – TransCanada Corporation (TransCanada) (TSX, NYSE: TRP), on behalf of the Keystone Pipeline partnerships (Keystone) between TransCanada and ConocoPhillips (NYSE: COP), today announced plans to expand the Keystone crude oil pipeline system and provide additional capacity of 500,000 barrels per day from Western Canada to the U.S. Gulf Coast in 2012. The expansion is expected to cost approximately US\$7.0 billion. When completed, the expansion will increase the commercial design of the Keystone Pipeline system from 590,000 barrels per day to approximately 1.1 million barrels per day and result in a total capital investment of approximately US\$12.2 billion.

Plans to expand to the U.S. Gulf Coast follow successful negotiations with several prospective shippers who have agreed, subject to regulatory approvals, to make shipping commitments of approximately 300,000 barrels per day to the U.S. Gulf Coast for an average term of 18 years during a binding open season which begins today. In addition, prospective shippers have also agreed to commit another 35,000 barrels per day to Wood River and Patoka, Illinois during a future open season expected in the third or fourth quarter of 2008. With these commitments Keystone has now secured long-term commitments for approximately 830,000 barrels per day for an average term of 18 years. These commitments represent approximately 75 per cent of the commercial design of the system.

“The Keystone expansion will be the first direct pipeline to connect a growing and reliable supply of Canadian crude oil with the largest refining market in North America,” says Hal Kvisle, TransCanada president and chief executive officer. “The Keystone Pipeline will be constructed and operated as an integrated system with delivery points in the U.S. Midwest and U.S. Gulf Coast.”

The Keystone expansion includes an approximate 3,200-kilometre (1,980-mile), 36-inch crude oil pipeline starting at Hardisty, Alberta and extending south to a delivery point near existing terminals in Port Arthur, Texas and, subject to shipper support, will include an additional approximate 80-kilometre (50-mile) pipeline lateral to the Houston, Texas area. With the addition of incremental pumping facilities, the Keystone Pipeline system could be further expanded from 1.1 million barrels per day to 1.5 million barrels per day.

During the binding open season Keystone will seek additional shipping commitments from interested parties. Once Keystone completes the open season process it will proceed expeditiously with the necessary regulatory applications in Canada and the U.S. for approvals to construct and operate the proposed facilities. Construction of the facilities is anticipated to commence in 2010 following the receipt of the necessary regulatory approvals. As a result, the

majority of the US\$7.0 billion in additional capital investment required to expand Keystone to the U.S. Gulf Coast is expected to be made between 2010 and 2012.

Certain parties who have agreed to make volume commitments to the Keystone expansion have an option to acquire up to a combined 15 per cent equity ownership in the Keystone partnerships.

TransCanada is responsible for developing, constructing and operating the Keystone pipeline and has initiated outreach activities with key stakeholders including local communities and landowners along the expansion route. It is expected that deliveries to Wood River and Patoka, Illinois will commence in late 2009. Deliveries to Cushing, Oklahoma are expected to commence in late 2010 and deliveries to the U.S. Gulf Coast are expected to begin in 2012.

During the binding open season period, which expires at noon (Mountain Time) on September 4, 2008, TransCanada, on behalf of Keystone, will accept binding bids from parties for firm transportation capacity for transportation of crude oil from Hardisty, Alberta to Port Arthur or Houston, Texas. Interested parties are invited to contact Marty Heeg at 403.920.2101 or David Diakow at 403.920.6019 for more information. The Keystone expansion project web page [www.transcanada.com/keystone/kxl.html] provides additional information about the project including a summary of the open season documents and a map of the proposed pipeline corridor.

With more than 50 years' experience, TransCanada is a leader in the responsible development and reliable operation of North American energy infrastructure including natural gas pipelines, power generation, gas storage facilities, and projects related to oil pipelines and LNG facilities. TransCanada's network of wholly owned pipelines extends more than 59,000 kilometres (36,500 miles), tapping into virtually all major gas supply basins in North America. TransCanada is one of the continent's largest providers of gas storage and related services with approximately 355 billion cubic feet of storage capacity. A growing independent power producer, TransCanada owns, controls or is developing approximately 8,300 megawatts of power generation. TransCanada's common shares trade on the Toronto and New York stock exchanges under the symbol TRP.

Note: All financial figures are in Canadian dollars unless noted otherwise.

FORWARD-LOOKING INFORMATION

This news release may contain certain information that is forward looking and is subject to important risks and uncertainties. The words "anticipate", "expect", "may", "should", "estimate", "project", "outlook", "forecast" or other similar words are used to identify such forward looking information. All forward-looking statements reflect TransCanada's beliefs and assumptions based on information available at the time the statements were made. Actual results or events may differ from those predicted in these forward-looking statements. Factors which could cause actual results or events to differ materially from current expectations include, among other things, the ability of TransCanada to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the operating performance of the Company's pipeline and energy assets, the availability and price of energy commodities, regulatory processes and decisions, changes in environmental and other laws and regulations, competitive factors in the pipeline and energy industry sectors, construction and completion of capital projects, labour, equipment and material costs, access to capital markets, interest and currency exchange rates, technological developments and the current economic conditions in North America. By its nature, such forward-looking information is subject to various risks and uncertainties, which could cause TransCanada's actual results and experience to differ materially from the anticipated results or expectations expressed. Additional information on these and other factors is available in the reports filed by TransCanada with Canadian securities regulators and with the U.S. Securities and Exchange Commission. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this news release or otherwise, and to not use future-oriented information or financial outlooks for anything other than

their intended purpose. TransCanada undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

-30-

Media Inquiries:	Shela Shapiro/Cecily Dobson	(403) 920-7859 (800) 608-7859
Investor & Analyst Inquiries:	David Moneta/Myles Dougan/Terry Hook	(403) 920-7911 (800) 361-6522